

# FISCAL NOTE

**Bill #:** HB0289

**Title:** Statutory appropriation for smoking cessation

**Primary Sponsor:** B. Glaser

**Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
State Special Revenue	\$3,600,000	\$3,500,000
<b>Revenue:</b>		
State Special Revenue	\$3,600,000	\$3,500,000
<b>Net Impact on General Fund Balance:</b>	\$0	\$0

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

1. It is estimated that there will be \$36 million in revenues in the Health and Medicaid initiative state special revenue funds in FY 2006, and \$35 million in SFY 2007 (Initiative 149 of the 2004 general election).
2. This bill would statutorily appropriate ten percent of these funds, \$3.6 million in FY 2006 and \$3.5 million in FY 2007, for a tobacco cessation reimbursement program.
3. It is estimated there are 141,101 adult smokers and 49,879 youth smokers in Montana.
4. It is estimated there are 42,543 adult smokeless tobacco users and 28,751 youth smokeless tobacco users in Montana.
5. It is estimated that 46 percent of all smokers and smokeless tobacco users attempt to quit each year. The successful quit rates range from 10 to 25 percent at one-year post quit attempt. The chronic nature of tobacco addiction refers to the fact that it takes on average seven quit attempts before a smoker is successful in quitting long term.
6. The average cost for a six-week course on nicotine patches is \$95.00. The average cost for a six-week course on nicotine gum is \$182.00. The average cost of community based tobacco cessation classes in Montana is \$105.00. The cost of an inpatient tobacco cessation program can cost upwards of \$5,000 (Mayo Inpatient Tobacco Cessation Program costs \$5,500).

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7. It cannot be determined at this time how many of the approximately 120,646 smokers and smokeless tobacco users who are attempting to quit (46 percent of the populations noted in assumptions three and four) would choose to use the various tobacco use cessation therapies available. For purposes of this note, it is assumed that all the 46 percent of smokers and smokeless tobacco users who attempt to quit each year will use a combination patches, gum and classes and not use the inpatient consultation services.
8. Based on the assumption that it takes an average of seven quit attempts for a tobacco user to successfully quit, and using a combination of patches, gum and classes, it is estimated that it could cost one tobacco users \$891 to successfully quit using tobacco products, or \$127.30 per quit attempt.
  - a. Seven quit attempts using patches only –  $7 \times \$95 = \$665$
  - b. Seven quit attempts using gum only –  $7 \times \$182 = \$1,274$
  - c. Seven quit attempts using classes only –  $7 \times \$105 = \$735$
  - d. Average cost -  $\$665 + \$1,274 + \$735 = \$2,674 / 3 = \$891$
  - e. Per quit attempt cost -  $\$891 / 7 = \$129.30$
9. Using the estimated cost of tobacco use cessation of \$891 per user it would cost \$107,495,586 to reimburse tobacco product users for their tobacco cessation attempts.
10. Assuming that each quit attempt is a six-week program, it is conceivable that a user could make eight quit attempts in one year.
11. This bill would require the creation of a claims processing contract to pay the claims to the individuals or licensed health care provider. It is estimated that such a system would cost \$250,000 in FY 2006 to design and \$25,000 per year thereafter to maintain and support.
12. It is estimated that the necessary FTE to manage such a program would include 3.00 FTE grade 10 support staff to field questions and process claims, 2.00 FTE grade 14 program specialists to manage the claims processing, and 1.00 FTE grade 16 to effectively manage the entire program. It is estimated that personal services, including salaries and benefits, would cost \$209,541 in FY 2006 and \$209,541 in FY 2007.
  - a. FY 2006 -  $\$86,648 + \$77,489 + \$45,404 = \$209,541$ 
    - i. 3.00 FTE grade 10 x  $\$28,883 = \$86,648$
    - ii. 2.00 FTE grade 14 x  $\$38,774 = \$77,489$
    - iii. 1.00 FTE grade 16 x  $\$45,404 = \$45,404$
  - b. FY 2007 -  $\$86,648 + \$77,489 + \$45,404 = \$209,541$ 
    - i. 3.00 FTE grade 10 x  $\$28,883 = \$86,648$
    - ii. 2.00 FTE grade 14 x  $\$38,774 = \$77,489$
    - iii. 1.00 FTE grade 16 x  $\$45,404 = \$45,404$
13. It is estimated that operating costs for these six staff would cost \$9,606 in FY 2006 and \$1,750 in FY 2007.
  - a. FY 2006 -  $\$1,750 + \$10,218 + \$7,638 = \$19,606$ 
    - i. Rent and supplies - \$1,750
    - ii. New employee package office furniture and equipment -  $\$1,703 \times 6 = \$10,218$
    - iii. New employee computer package -  $\$1,273 \times 6 = \$7,638$
  - b. FY 2007 - \$1,750 rent and supplies
14. It is estimated that the total administrative costs to the program including operating and personal services would be \$479,147 in FY 2006 and \$236,291 in FY 2007.
  - a. FY 2006 -  $\$209,541 + \$19,606 + \$250,000 = \$479,147$
  - b. FY 2007 -  $\$209,541 + \$1,750 + \$25,000 = \$236,291$
15. It is assumed that the cost of benefits provided through the tobacco cessation program would be capped at available funding. It is estimated that available funding for tobacco cessation reimbursement would be \$3,120,853 in FY 2006 and \$3,263,709 in FY 2007.
  - a. FY 2006 -  $\$3,600,000 - \$479,147 = \$3,120,853$

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b. FY 2007 - \$3,500,000 - \$236,291 = \$3,263,709

16. It is estimated that 24,516 claims in FY 2006 and 25,638 claims in FY 2007 would be processed for tobacco cessation reimbursement.

a. FY 2006 - \$3,120,853 / \$127.30 per quit attempt = 24,516

b. FY 2007 - \$3,263,709 / \$127.30 per quit attempt = 25,638

**FISCAL IMPACT:**

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	6.00	6.00
<u>Expenditures:</u>		
Personal Services	\$209,541	\$209,541
Operating Expenses	\$269,606	\$26,750
Benefits	<u>\$3,120,853</u>	<u>\$3,263,709</u>
TOTAL	\$3,600,000	\$3,500,000
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$3,600,000	\$3,500,000
<u>Revenues:</u>		
State Special Revenue (02)	\$3,600,000	\$3,500,000

**TECHNICAL NOTES:**

1. The bill caps the funding for the program at ten percent of the revenues allocated annually through the health and Medicaid initiative. With funding capped, the program would have to establish guidelines on who would receive services.
2. The bill does not establish guidelines on who receive services. It is conceivable that out of state residents would apply for reimbursement from this program if they used tobacco cessation services within the State of Montana.
3. This bill modifies the usage of funds as identified in Initiative I-149 passed in 2004 and appropriates funds already designated in the proposed executive budget for use in other areas.